

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

MARYSVILLE HOUSING COMMISSION

Financial Statements

March 31, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Opinion	i
Management Discussion and Analysis	ii
 <u>FINANCIAL STATEMENTS</u>	
Combined Statement of Net Assets	2
Combined Statement of Revenue, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
 <u>SUPPLEMENTAL DATA</u>	
Combining Balance Sheet	11
Combining Statement of Income and Expenses	12
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	13
Status of Prior Audit Findings	14
Schedule of Findings and Questioned Cost	15

***John C. DiPiero, P.C.***

Certified Public Accountant

P. O. Box 378  
Hemlock, Michigan 48626  
Tel / Fax (989) 642-2092

Board of Commissioners  
Marysville Housing Commission  
1100 New York  
Marysville, Michigan 48040

### **Independent Auditor's Report**

I have audited the financial statements listed in the Table of Contents of the Marysville Housing Commission as of and for the year ended March 31, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments* as of April 1, 2005. This results in a change in the format and content of the basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marysville Housing Commission as of March 31, 2005, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 19, 2005 on my consideration of the Marysville Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Certified Public Accountant

July 19, 2005

Marysville Housing Commission  
1100 New York St.  
Marysville, MI 48040

Wayne P. Pyden, Executive Director

As management of the Marysville Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Marysville Housing Commission's financial activities for the FYE 3/31/05. This discussion and analysis letter of the Marysville Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities. The accompanying Financial Data Schedule reports these results in more detail, program by program. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

**Marysville Housing Commission Funds:**

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

**Entity-Wide Financial Highlights:**

The following Federal Assistance was received during FYE 3/31/05:

	<u>FYE 3/31/05</u>	<u>FYE 3/31/04</u>	<u>Change</u>
Public Housing Operating Subsidy	125,979	106,320	19,659
Capital Fund Program Grants	<u>91,306</u>	<u>476,758</u>	<u>(385,452)</u>
Total	217,285	583,078	(365,793)

The subsidy for Public Housing increased by 18.5%. The substantial decrease in the Capital Fund Program was due to the fact that work projects during FYE 3/31/04 progressed along at a much more rapid pace than the current year, thus utilizing more of our Capital Fund Program funding in FYE 3/31/04 than in FYE 3/31/05.

The following represents changes in the Asset section of the Balance Sheet:

	<u>FYE</u> <u>3/31/05</u>	<u>FYE</u> <u>3/31/04</u>	<u>Change</u>
Cash & Investments	560,453	625,820	(65,367)
Total Current Assets, net of inter-program (due from)	583,032	698,268	(115,236)
Fixed Assets, Net of Depreciation	3,112,294	3,098,812	13,482
Total Liabilities, net of inter-program (due to)	111,559	101,192	10,367
Total Equity/Net Assets	3,583,767	3,695,888	(112,121)

Cash and Investments decreased by 10.4%. This decrease was primarily sustained in the cash balances, as investments stayed stable. The decrease can be attributed to the operating loss in the Public Housing program and the funding of over \$100,000 of Capital projects through the Public Housing Program (instead of the Capital Fund Program). Fixed Assets increased slightly; this increase represents the afore-mentioned capital projects funded through Public Housing and also 2 projects funded through the Capital Fund Program. These projects included comprehensive improvements at our senior building (see details below). Although Fixed Assets increased by \$192,144, this was offset by depreciation charges of \$178,662, resulting in the net increase stated in the above table.

Total Net Assets (Equity) decreased by just 3%.

The following schedule compares the Revenues and Expenses for the current and prior fiscal years:

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>FYE 3/31/05</u>	<u>FYE 3/31/04</u>	<u>Per Cent</u> <u>Change</u>
<b>Revenues:</b>			
Tenant Revenue	323,677	335,424	-3.5%
Other Revenue	<u>14,569</u>	<u>12,365</u>	17.8%
Total PHA generated Revenue	338,246	347,789	-2.7%
Operating Subsidies	125,979	109,215	15.3%
Capital Grants	<u>91,306</u>	<u>473,863</u>	-80.7%
<b>Total Revenue</b>	555,531	930,867	-40.3%
<b>Expenses:</b>			
Administrative	129,842	124,592	4.2%
Tenant Services	5,843	5,812	0.5%
Utilities	99,622	84,882	17.4%
Maintenance	188,359	172,753	9.0%
General	49,774	43,777	13.7%
Extraordinary Items	15,550	26,243	-40.7%
Casualty Losses	0	(574)	
Depreciation	<u>178,662</u>	<u>166,131</u>	7.5%
Total Expenses	667,652	623,616	7.1%

<b>Net Increase (Decrease)</b>	(112,121)	307,251
--------------------------------	-----------	---------

*Revenues:*

Operating Revenue received from HUD in FYE 3/31/05 Public Housing increased by 15% from FYE 3/31/04 to 3/31/05. Capital Fund revenue decreased sharply due to the pace of the work projects involved. For FYE 3/31/05, revenue generated by the Commission accounted for \$338,246 (or 61% of total revenue), while HUD contributions accounted for \$217,285 (or 39% of total revenue).

*Expenses:*

Total Expenses for FYE 3/31/04 were \$623,616 while for FYE 3/31/05 the total was \$667,652. This represents a 7.1% increase in our Operating Costs, an amount that can be substantially attributed to inflation. The cost areas that increased the most were:

	<u>FYE 3/31/05</u>	<u>FYE 3/31/04</u>	<u>Per Cent Change</u>
Employee Benefits	46,732	38,840	20.3%
Property Insurance	25,491	22,950	11.1%
Electricity and Natural Gas	63,701	48,741	30.7%
Ordinary Maint. (excl. fringes)	163,591	151,391	8.1%

*Budget Analysis:*

A Low Rent Public Housing Operating Budget for fye 3/31/05 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Although there were overruns in specific line items, actual results in total were in line with budgeted amounts. In addition, the actual operating loss was quite a bit less than the budgeted loss.

**Entity-Wide Operational Highlights:**

The Marysville Housing Commission provided the following housing for low-income elderly:

	<u>FYE 3/31/05</u>	<u>FYE 3/31/04</u>
Low Rent Public Housing	132	132

During FYE 3/31/05, Marysville Housing Commission maintained a lease-up rate of 97.2% in its Public Housing Program. This lease-up rate is in line with HUD guidelines.



During FYE 3/31/05, our Capital Improvements included:

- CFP: We completed the comprehensive upgrade to our HVAC system. The magnitude of this project required the use of four different Capital Fund Grants to complete. The entire cost of this project was just under \$400,000. We also upgraded the Community Room kitchen area, including new commercial-grade appliances.
- LRP: New parking lot was installed, including landscaping and lighting improvements for \$78,000. This project is substantially done, and will be completed during FYE 3/31/06. We also replaced the doors to the Community room and Library for \$16,900. We also purchased some maintenance equipment.

#### **Commission's Position**

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Wayne P. Pyden, Executive Director  
1100 New York  
Marysville, Michigan 48040

MARYSVILLE HOUSING COMMISSION  
Combined Statement of Net Assets  
March 31, 2005

**ASSETS**

**C-3201**

CURRENT ASSETS

Cash	\$	50,284	
Accounts Receivable		11,438	
Investments		510,169	
Prepaid Expenses		11,141	
Inter Program due from		<u>3,210</u>	
Total Current Assets	\$		586,242

NON CURRENT ASSETS

Land	\$	104,253	
Buildings		3,768,997	
Furniture, Equipment- Dwellings		77,918	
Furniture, Equipment- Administrative		132,822	
Construction in Progress		1,566,463	
Accumulated Depreciation		<u>(2,538,159)</u>	
Total Non Current Assets			<u>3,112,294</u>

TOTAL ASSETS \$ 3,698,536

MARYSVILLE HOUSING COMMISSION  
Combined Statements of Net Assets  
March 31, 2005

LIABILITIES

C-3201

CURRENT LIABILITIES

Accounts Payable	\$	7,830	
Accrued Wages & Payroll Taxes		23,869	
Accounts Payable-Other Governments		39,792	
Tenants Security Deposit		27,153	
Deferred Revenue		326	
Accrued Liabilities-Other		12,589	
Inter-Program due to		<u>3,210</u>	
<u>Total Current Liabilities</u>			\$ 114,769

NET ASSETS

Investment in Fixed Assets, net of related Debt	\$	3,112,294	
Unrestricted Net Assets		<u>471,473</u>	
<u>Total Net Assets</u>			<u>3,583,767</u>

<u>TOTAL LIABILITIES &amp; NET ASSETS</u>			\$ <u>3,698,536</u>
---	--	--	---------------------

The Accompanying Notes are an Integral part of the Financial Statements

MARYSVILLE HOUSING COMMISSION  
Combined Statement of Revenue, Expenses, and Changes in Net Assets  
For the year ended March 31, 2005

REVENUE

Tenant Rental Revenue	\$ 323,677	
HUD Grants	217,285	
Interest Income	12,801	
Other Income	<u>1,768</u>	
<u>Total Revenue</u>		\$ 555,531

EXPENSES

Administrative	\$ 129,842	
Tenant Services	5,843	
Utility Expenses	99,622	
Ordinary Maintenance	188,359	
General Expenses	<u>49,774</u>	
<u>Total Expenses</u>		<u>473,440</u>

<u>Excess (Deficiency) of Revenues over Expenses</u>	\$ 82,091
--	-----------

OTHER SOURCES & (USES)

Extraordinary Maintenance	\$ (15,550)	
Depreciation Expenses	<u>(178,662)</u>	
<u>Total Other Sources (Uses)</u>		<u>(194,212)</u>
<u>Change in Net Assets</u>		\$ (112,121)
Total Net Assets- Beginning		<u>3,695,888</u>
Total Net Assets- Ending		\$ <u>3,583,767</u>

The Accompanying Notes are an Integral part of the Financial Statements

MARYSVILLE HOUSING COMMISSION  
Combined Statement of Cash Flows  
For the Year Ended March 31, 2005

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 217,984
Payments to Suppliers	(192,239)
Payments to Employees	(147,453)
HUD Grants	84,959
Other Receipts (Payments)	<u>23,347</u>
Net Cash Provided (Used) by Operating Activities	\$ 127,033

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(192,144)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (65,111)
Balance- Beginning of Year	<u>115,395</u>
Balance- End of Year	\$ <u>50,284</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (112,121)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	178,662
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	61,010
Investments	256
Prepaid Expenses	(11,438)
Interfund Due From	64,658
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(8,514)
Accrued Wages & Payroll Taxes	6,593
Accounts Payable- Other Governments	11,704
Security Deposits	(935)
Deferred Revenue	275
Other Current Liabilities	1,541
Interfund Due To	<u>(64,658)</u>
Net Cash Provided by Operating Activities	\$ <u>127,033</u>

The Accompanying Notes are an Integral part of the Financial Statements

MARYSVILLE HOUSING COMMISSION  
Notes to Financial Statements  
March 31, 2005

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Marysville Housing Commission, Marysville, Michigan, (Commission) was created by ordinance of the city of Marysville. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 161-1	Low rent program	132 units
----------	------------------	-----------

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-Management's Discussion and Analysis- for State and Local Governments. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Housing Commission's financial position and results of operations.
- Financial Statements prepared using full accrual accounting for all the Commission's activities.

A change in the fund financial statements to focus on the major funds.

### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided that they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Notes to Financial Statements- continued

**Budgetary data-**

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

**Assets, Liabilities, and Net Assets-**

**Deposits & Investments**

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

**Cash Equivalents**

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

**Due to/From Other Funds**

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

**Fixed Assets**

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years



Notes to Financial Statements- continued

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Savings Account	\$ 49,681
Checking Account	503
Petty Cash	<u>100</u>
Financial Statement Total	\$ <u>50,284</u>

Investments:

Certificates of Deposit	\$ 237,000
Treasury Bills	193,169
Savings Account	<u>80,000</u>
Financial Statement Total	\$ <u>510,169</u>

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash:					
Checking A/C's	\$ 503	\$	\$	\$ 503	\$ 503
Savings A/C's	49,681			49,681	49,681
Petty Cash	<u>100</u>			<u>100</u>	<u>100</u>
Total Cash	\$ <u>50,284</u>	\$	\$	\$ <u>50,284</u>	\$ <u>50,284</u>
Investments:					
C/D's	\$ 237,000	\$	\$	\$ 237,000	\$ 237,000
Treasury Bills	193,169			193,169	193,169
Savings Accounts	<u>80,000</u>			<u>80,000</u>	<u>80,000</u>
Total Invest	\$ <u>510,169</u>	\$	\$	\$ <u>510,169</u>	\$ <u>510,169</u>

Note 3: Accounts Receivable.

Accounts Receivable consists of the following:

Accounts Receivable- Tenants	\$ 181
Accounts Receivable- HUD	3,210
Accrued Interest Receivable	<u>8,047</u>
	\$ <u>11,438</u>

Notes to Financial Statements- continued.

Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 104,253	\$	\$	\$ 104,253
Buildings	3,768,997			3,768,997
Furniture & Equipment-Dwellings	77,918			77,918
Furniture & Equipment-Admin	116,326	16,496		132,822
Leasehold Improvements	<u>1,390,815</u>	<u>175,648</u>		<u>1,566,463</u>
	\$ 5,458,309	\$ 192,144	\$	\$ 5,650,453
Less Accumulated Depreciation	<u>2,359,497</u>	<u>178,662</u>		<u>2,538,159</u>
	<u>\$ 3,098,812</u>	<u>\$ 13,482</u>	<u>\$</u>	<u>\$ 3,112,294</u>

Note 5: Pension Plan

The Commission has a Defined Contribution Pension Plan for all eligible employees. The Plan allows for participating employees to make contributions as well as the contributions made on their behalf by the Commission. This plan only defines the amount contributed each year as a percent of gross wages (usually 3-5% annually)

Note 6: Accrued Liabilities- Other.

Accrued liabilities other consist of the following:

Utilities payable	\$ 12,589
-------------------	-----------

Note 7: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 8: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Notes to Financial Statements- continued

Note 9: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 6,500,000
General Liability	3,000,000
Errors & Omissions	1,000,000
Worker's Compensation and other riders:	
Coverage's required by the State of Michigan	

## Marysville Housing Commission

31-Mar-05

MI-161

	Account Description	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	<b>ASSETS:</b>			
	<b>CURRENT ASSETS:</b>			
	Cash:			
111	Cash - unrestricted	50,284		50,284
112	Cash - restricted - modernization and developmer		-	-
113	Cash - other restrictec			-
114	Cash - tenant security deposit	-	-	-
100	Total cash	50,284	-	50,284
	Accounts and notes receivables			
121	Accounts receivable - PHA project			-
122	Accounts receivable - HUD other project		3,210	3,210
124	Accounts receivable - other governmer			-
125	Accounts receivable - miscellaneou	-	-	-
126	Accounts receivable- tenants - dwelling reni	181		181
126.1	Allowance for doubtful accounts - dwelling reni	-		-
126.2	Allowance for doubtful accounts - othe	-		-
127	Notes and mortgages receivable- curren			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivabl	8,047		8,047
120	Total receivables, net of allowances for doubtful account	8,228	3,210	11,438
	Current investments:			-
131	Investments - unrestricted	510,169		510,169
132	Investments - restrictec			-
142	Prepaid expenses and other asset	11,141	-	11,141
143	Inventories	-	-	-
143.1	Allowance for obsolete inventorie	-	-	-
144	Interprogram - due fron	3,210	-	3,210
146	Amounts to be providec			-
150	TOTAL CURRENT ASSETS	583,032	3,210	586,242
	<b>NONCURRENT ASSETS:</b>			
	Fixed assets:		-	
161	Land	104,253	-	104,253
162	Buildings	3,768,997	-	3,768,997
163	Furniture, equipment & machinery - dwelling	77,918	-	77,918
164	Furniture, equipment & macinery - admininstratio	121,994	10,828	132,822
165	Leasehold improvement:	1,259,445	307,018	1,566,463
166	Accumulated depreciator	(2,536,663)	(1,496)	(2,538,159)
160	Total fixed assets, net of accumulated depreciatio	2,795,944	316,350	3,112,294
171	Notes and mortgages receivable - non-curren			-
172	Notes and mortgages receivable-non-current-past du			-
174	Other assets			-
175	Undistributed debits			-
176	Investment in joint venture:			-
180	TOTAL NONCURRENT ASSETS	2,795,944	316,350	3,112,294
190	<b>TOTAL ASSETS</b>	3,378,976	319,560	3,698,536

	<b>LIABILITIES AND EQUITY:</b>			
	<b>LIABILITIES:</b>			
	<b>CURRENT LIABILITIES</b>			
311	Bank overdraft			-
312	Accounts payable ≤ 90 days	7,830	-	7,830
313	Accounts payable > 90 days past due		-	-
321	Accrued wage/payroll taxes payable	23,869	-	23,869
322	Accrued compensated absence	-	-	-
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA program			-
332	Accounts Payable - PHA Project			
333	Accounts payable - other government	39,792	-	39,792
341	Tenant security deposits	27,153	-	27,153
342	Deferred revenues	326	-	326
343	Current portion of Long-Term debt - capital project		-	-
344	Current portion of Long-Term debt - operating borrowing			-
345	Other current liabilities			-
346	Accrued liabilities - other	12,589		12,589
347	Inter-program - due to	-	3,210	3,210
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>111,559</b>	<b>3,210</b>	<b>114,769</b>
	<b>NONCURRENT LIABILITIES:</b>			
351	Long-term debt, net of current- capital project			-
352	Long-term debt, net of current- operating borrowing			-
353	Noncurrent liabilities- other	-		-
350	<b>TOTAL NONCURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
300	<b>TOTAL LIABILITIES</b>	<b>111,559</b>	<b>3,210</b>	<b>114,769</b>
	<b>EQUITY:</b>			
501	Investment in general fixed asset			-
	<b>Contributed Capital:</b>			
502	Project notes (HUD)			-
503	Long-term debt - HUD guarantee	-	-	-
504	Net HUD PHA contribution	-		-
505	Other HUD contributions			-
507	Other contributions	-		-
508	Total contributed capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	2,795,944	316,350	3,112,294
	Reserved fund balance			-
509	Reserved for operating activities			-
510	Reserved for capital activities	-		-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-
512.1	Unrestricted Net Asset	471,473		471,473
513	<b>TOTAL EQUITY</b>	<b>3,267,417</b>	<b>316,350</b>	<b>3,583,767</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,378,976</b>	<b>319,560</b>	<b>3,698,536</b>

**Proof of concept**

- - -

## Marysville Housing Commission

31-Mar-05

MI-161

Combining Income Statement		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	<b>REVENUE:</b>			
703	Net tenant rental revenue	323,677		323,677
704	Tenant revenue - other	-	-	-
705	Total tenant revenue	323,677	-	323,677
706	HUD PHA grants	125,979	91,306	217,285
708	Other government grants			-
711	Investment income - unrestricted	12,801	-	12,801
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	1,768		1,768
716	Gain or loss on the sale of fixed asset			-
720	Investment income - restricted			-
700	<b>TOTAL REVENUE</b>	464,225	91,306	555,531
	<b>EXPENSES:</b>			
	Administrative			
911	Administrative Salaries	85,721	-	85,721
912	Auditing Fees	2,750		2,750
913	Outside management fee			-
914	Compensated absence	-		-
915	Employee benefit contributions-administrative	21,964	-	21,964
916	Other operating administrative	19,407	-	19,407
	Tenant services			
921	Tenant services - salaries	-	-	-
922	Relocation costs		-	-
923	Employee benefit contributions- tenant service	-	-	-
924	Tenant services - other	5,843	-	5,843
	Utilities			
931	Water	35,921	-	35,921
932	Electricity	33,289	-	33,289
933	Gas	30,412	-	30,412
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expense	-		-
	Ordinary maintenance & operation			
941	Ordinary maintenance and operations - labor	96,225	-	96,225
942	Ordinary maintenance and operations - materials & other	31,524	-	31,524
943	Ordinary maintenance and operations - contract cost	35,842	-	35,842
945	Employee benefit contributions- ordinary maintenance	24,768	-	24,768
	Protective services			
951	Protective services - labor			-

952	Protective services- other contract cost	-		-
953	Protective services - othe			-
955	Employee benefit contributions- protective service			-
	General expenses			
961	Insurance premiums	25,491	-	25,491
962	Other General Expense		-	-
963	Payments in lieu of taxes	18,966		18,966
964	Bad debt - tenant rent	-	-	-
965	Bad debt- mortgages			-
966	Bad debt - other			-
967	Interest expense		-	-
968	Severance expense	5,317		5,317
969	<b>TOTAL OPERATING EXPENSES</b>	<b>473,440</b>	<b>-</b>	<b>473,440</b>
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	<b>(9,215)</b>	<b>91,306</b>	<b>82,091</b>
971	Extraordinary maintenance	15,550		15,550
972	Casualty losses - non-capitalized			-
973	Housing assistance payment			-
974	Depreciation expense	177,166	1,496	178,662
975	Fraud losses			-
976	Capital outlays- governmental fund	-		-
977	Debt principal payment- governmental fund			-
978	Dwelling units rent expense			-
900	<b>TOTAL EXPENSES</b>	<b>666,156</b>	<b>1,496</b>	<b>667,652</b>
	<b>OTHER FINANCING SOURCES (USES)</b>			
1001	Operating transfers in (out)			-
1002	Operating transfers out			
1003	Operating transfers from/to primary government			
1004	Operating transfers from/to component unit			
1005	Proceeds from notes, loans and bonds			
1006	Proceeds from property sales			
1010	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
1000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>	<b>(201,931)</b>	<b>89,810</b>	<b>(112,121)</b>
<b>MEMO account information</b>				
1101	Capital contributions			
1102	Debt principal payments- enterprise fund	-	-	-
1103	Beginning equity	-	-	-
1104	Prior period adjustments and equity transfer	-		-
1105	Changes in compensated absence liability balance (in the GLTDAC			-
1106	Changes in contingent liability balance (in the GLTDAG			-
1107	Changes in unrecognized pension transition liability (in the GLTDAC			-
1108	Changes in special term/severance benefits liability (in the GLTDAC			-
1109	Changes in allowance for doubtful accounts - dwelling rent			-
1110	Changes in allowance for doubtful accounts - other			-
1112	Depreciation "add back"	-		-
1113	Maximum annual contributions commitment (per ACC		-	
1114	Prorata maximum annual contributions applicable to : period of less than twelve month			
1115	Contingency reserve, ACC program reserve		-	
1116	Total annual contributions available		-	
1120	Unit months available	-	-	-
1121	Number of unit months leased	-	-	-

Equity Roll Forward Test  
Calculation from R/E Statement  
B/S Line 513

(201,931) 89,810  
3,267,417 316,350

Sum of A:

Sum of B:

MARYSVILLE HOUSING COMMISSION  
Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
March 31, 2005

I have audited the financial statements of Marysville Housing Commission, Marysville, Michigan, as of and for the year ended March 31, 2005, and have issued my report thereon dated July 19, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marysville Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Marysville Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

July 19, 2005



MARYSVILLE HOUSING COMMISSION  
Status of Prior Audit Findings  
March 31, 2005

The prior audit of the Marysville Housing Commission for the period ended March 31, 2004, contained two audit findings; the corrective action taken by the Commission is as follows:

Finding 4-1: Out of State Investments; the Commission amended the investment policy and is replacing out of State investments with inter State investments as they mature.

Finding 4-2: Tenant Accounting Discrepancies; The Commission is in the process of video taping inspections, both upon move in and annually; Rent Election forms are being signed on all re-exams; no indication of untimely re-exams during the current audit period.

MARYSVILLE HOUSING COMMISSION  
Schedule of Findings and Questioned Cost  
March 31, 2005

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Capital Fund Program		X

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted \_\_\_\_\_ Yes   X   No

Reportable condition(s) noted \_\_\_\_\_ Yes   X   No

Non Compliance material to financial statements noted \_\_\_\_\_ Yes   X   No

Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted \_\_\_\_\_ Yes   X   No

Reportable condition(s) noted \_\_\_\_\_ Yes   X   No

Non Compliance material to financial statements noted \_\_\_\_\_ Yes   X   No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee qualified as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	No	None	N/A
Capital Fund Program	No	None	N/A